



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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DEDUCTIBILITY OF REPAIR AND MAINTENANCE COSTS OF LEASED PROPERTY

Issued August 12, 1966

Where a lessee pays for the cost of repair and maintenance for which the lessor is contractually liable, may the lessor deduct these payments from the gross receipts of the lease?

The taxpayer leased automobiles to persons and firms for use in the state. When repair or maintenance work was performed on the leased automobiles, the lessee would either perform the work or pay for the costs of the work. This cost was deducted from the lease payments due to the lessor.

The measure of the tax on the taxpayer's rental income was the gross lease price. As the taxpayer was responsible for repair and maintenance costs, the expenses incurred by the lessee were a part of the consideration paid to the taxpayer. No deduction was allowed for repair and maintenance costs in computing the Retail Sales Tax or the Business and Occupation Tax.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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